

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL**

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS'
REPORT THEREON FOR THE
FISCAL YEAR ENDED JUNE 30, 2019**

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
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JUNE 30, 2019**

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OFFICE OF THE ATTORNEY GENERAL
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**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL**

OFFICIAL ROSTER

JUNE 30, 2019

Hector Balderas	Attorney General
Tania Maestas	Chief Deputy Attorney General / Civil Affairs
Clara Moran	Chief Deputy Attorney General / Criminal Affairs
Matt Baca	Special Counsel
Malaquias Rael	Senior Policy Advisor

Administrative Officials

Theresa Storey	Chief Financial Officer/Financial Control Director
Valerie Gallegos	Human Resources Division Director
Scott Stokes	Information Technology Division Director
Karlo Cantu	Fleet and Facilities Division Director
Matt Baca	Medicaid Fraud Elder Abuse Division Director
Zach Jones	Special Prosecutions Division Director
Benjamin Baker	Special Investigations Division Director
Martha Anne Kelly	Criminal Appeals Division Director
Cholla Khoury	Consumer & Environmental Protection Division Director
Sally Malave	Open Government Division Director
Jennifer Saavedra	Advocacy & Intervention Division Director
Joseph Dworak	Litigation Division Director
Tamarra Howard	Training and Development Director



Independent Auditors' Report

Honorable Hector H. Balderas, Attorney General
Office of the Attorney General
and
Honorable Brian S. Colón, Esq., State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the fiduciary funds, the budgetary comparisons for the general fund and major special revenue funds and the aggregate remaining fund information of the State of New Mexico, Office of the Attorney General (Office) as of and for the year ended June 30, 2019 and the related notes to the financial statements which collectively comprises the Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the Office's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the fiduciary funds, and the aggregate remaining fund information of the Office, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in *Note 1*, the financial statements of the Office are intended to present the financial position and changes in financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Office of the Attorney General. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and the budgetary comparisons that collectively comprise the Office's basic financial statements. The other schedules required by Section 2.2.2 NMAC listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is not a required part of the financial statements. The fiduciary combining statement of assets and liabilities – all agency funds is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of cash accounts, the schedule of expenditures of federal awards and the combining statement of changes in assets and liabilities - all agency funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of cash accounts, expenditures of federal awards and the combining statement of changes in assets and liabilities - all agency funds are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 3, 2019

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

The State of New Mexico, Office of the Attorney General (OAG or Office), discussion and analysis provides the reader of the financial statements this narrative overview and analysis of the financial activities of the OAG for the fiscal year ended June 30, 2019. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and related GASB statements, which established financial reporting requirements for State and local governments throughout the United States. The requirements were developed by GASB to make annual reports more comprehensive and easier to understand and use.

The Basic Financial Statements

In compliance with requirements of U.S. generally accepted accounting principles (GAAP), the OAG's basic financial statements include the:

- Government-wide financial statements;
- Fund financial statements;
- Budget comparison statements;
- Notes to the financial statements.

In accordance with 2.2.2 New Mexico Administrative Code NMAC Section 2.2.2.10A.(2)(d), the audit opinion also covers additional information consisting of:

- Combining and individual fund financial statements
- Schedule of cash accounts

The Management's Discussion and Analysis (MD&A) is included as required supplementary information (RSI).

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Office's finances, in a corporate-like manner. These statements report information about the overall government without displaying individual funds or fund types. They distinguish between governmental activities and business-type activities. The Office does not have any business-type activities.

The ***Statement of Net Position*** presents information on all of the Office's assets and liabilities, deferred outflows and inflows with the residual reported as net position. Increases or decreases in net position may serve as a useful indicator of the Office's financial position over time.

The ***Statement of Activities*** presents information on how the Office's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are included in this statement for some items that will result in cash flows in future fiscal periods (e.g., capital assets and related depreciation).

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented by governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Office's near-term financing decisions. Both the governmental fund ***Balance Sheet*** and the governmental fund ***Statement of Revenues, Expenditures, and Changes in Fund Balances*** provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Office maintains one general fund and seven special revenue funds. Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund and for the special revenue funds. There are also six agency funds maintained.

The Office adopts an annual appropriated budget for its general fund and for certain special revenue funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with budgets.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a more detailed understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 20 through 44 of this report.

Budgetary Comparison

The budget comparison information required by GASB No. 34 and the Office of the State Auditor (2.2.2 NMAC) or the major governmental funds that have legally adopted annual budgets are presented as listed in the table of contents. The budgetary comparisons present both the original and final budgets for the reporting period, as well as the actual inflows, outflows, and balances, stated on a budgetary basis (modified accrual). This information is presented at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

Government–Wide Condensed Financial Information

Attorney General's Office Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
ASSETS			
Current Assets	\$ 22,542,356	\$ 12,780,007	\$ 9,762,349
Long-Term Assets	-	-	-
Capital Assets, Net	<u>568,447</u>	<u>304,676</u>	<u>263,771</u>
Total Assets	<u>\$ 23,110,803</u>	<u>\$ 13,084,683</u>	<u>\$ 10,026,120</u>
LIABILITIES			
Current Liabilities	\$ 2,782,728	\$ 2,716,244	\$ 66,484
Long-Term Liabilities	-	-	-
Total Liabilities	<u>\$ 2,782,728</u>	<u>\$ 2,716,244</u>	<u>\$ 66,484</u>
NET POSITION			
Net Investment in Capital Assets	\$ 568,447	\$ 304,676	\$ 263,771
Restricted	19,759,628	10,063,763	9,695,865
Unrestricted	-	-	-
Total Net Position	<u>\$ 20,328,075</u>	<u>\$ 10,368,439</u>	<u>\$ 9,959,636</u>

Discussion of the Statement of Net Position

Net position is derived by deducting total liabilities from total assets. Net position increased by \$9,959,636. The increase is primarily attributable to increase in consumer settlement realized during the fiscal year in the Consumer Settlement Fund and due to special appropriation balances, that remain to be used in Fiscal Year 2020.

Current assets consist of investments in the State General Fund Investment Pool of \$21,779,974, Federal grants receivable of \$429,041, amounts due from other State agencies and governments of \$331,915, and cash in banks of \$1,426.

The Office reports balances in three categories of net position: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Restricted net position increased by \$9,695,865 due to increased settlements realized in the Consumer Settlements Fund and special appropriation fund balances to be utilized in FY 2020.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

Capital Asset and Debt Administration

The Office's investment in capital assets for its governmental activities as of June 30, 2019, is \$568,447, (net of accumulated depreciation). This investment in capital assets consists of data processing equipment, office equipment, and vehicles. Major capital asset events during the current fiscal year include capital asset additions of \$358,744 and depreciation expense of \$94,973.

The Office uses capital assets to provide its services; consequently, these assets are not available for future spending.

Liabilities

Current liabilities of \$2,782,728 consist of accounts payable of \$860,809; accrued salaries and benefits payable of \$669,893; other liabilities of \$234, due to the state general fund of \$46,610; due to taxpayers of \$336,442, due to other State Agencies of \$2,301 and compensated absences payable of \$866,439.

Attorney General's Office Statement of Activities

	<u>2019</u>	<u>2018</u>	<u>Difference</u>
REVENUES			
Program Revenues	<u>\$ 14,131,122</u>	<u>\$ 9,698,934</u>	<u>\$ 4,432,188</u>
Total Revenues	<u>14,131,122</u>	<u>9,698,934</u>	<u>4,432,188</u>
 EXPENSES			
General Government	<u>22,510,910</u>	<u>20,851,452</u>	<u>1,659,458</u>
Total Expenses	<u>22,510,910</u>	<u>20,851,452</u>	<u>1,659,458</u>
 GENERAL REVENUES AND TRANSFERS			
State General Fund Appropriations	17,200,400	13,300,400	3,900,000
Other	1,272,705	710,004	562,701
Transfers In (Out)	-	-	-
Reversions	<u>(116,886)</u>	<u>(132,478)</u>	<u>15,592</u>
Total General Revenues and Transfers	<u>18,356,219</u>	<u>13,877,926</u>	<u>4,478,293</u>
Change in Net Position	9,976,431	2,725,408	7,251,023
Net Position - Beginning of Year	<u>10,368,439</u>	<u>7,658,031</u>	<u>2,710,408</u>
Restatement	<u>(16,795)</u>	<u>(15,000)</u>	<u>(1,795)</u>
Net Position - As Restated	<u>10,351,644</u>	<u>7,643,031</u>	<u>2,708,613</u>
Net Position - End of Year	<u>\$ 20,328,075</u>	<u>\$ 10,368,439</u>	<u>\$ 9,959,636</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

Discussion of Statement of Activities

This statement shows the components that increased, in the aggregate, the Office's net position to \$9,959,636 during the year. Program revenues increased compared to the prior year due to the nature and long-term settlement process of consumer litigation. Consumer cases range in the degree of complexity and settlement time and will fluctuate year to year. The Office's State general fund appropriations increased by \$3.9 million as compared to the prior year due to an increase in special funding appropriation as well as an offset to what historically was funded by consumer settlement funds. The increase in expenses was primarily attributable to the purchase of a mobile command vehicle as well as an increase in water litigation expense.

The Office's Individual Governmental Funds

As the Office completed the year, its governmental funds reported a combined fund balance of \$20,626,067 which is higher than last year's total of \$10,936,052. The primary reason for the increase in fund balance is related to increased consumer settlements realized during the year. The total fund balance of the general fund was restricted for special appropriation balances received that are authorized for expenditures in 2020. The Medicaid Fraud Control Unit special revenue fund increased to \$165,850 and the consumer settlements fund balance increased to \$15,353,774 due to increased revenue in this fund.

The general fund (17000) revenues increased \$72,166 as compared to the previous year due to the additional draw down of Southwest Border Alliance funding that expired at the close of fiscal year 2019. The Office experienced an increase in the amount of special appropriations in FY 2019 as well as increased recognition in that fund of Southwest Border Alliance funding; as such, general fund expenditures increased \$1,317,455. The Medicaid Fraud Control Unit special revenue fund revenues increased \$109,342 due to an increase in utilization of the federal grant award.

The Consumer Settlements revenues increased by \$1,902,463 compared to the previous year due to an increase in settlement revenues received. Transfers to the general fund decreased by \$3,241,832 due to a shift in funding source from the state general fund.

General Fund Budgetary Highlights

The State General Fund appropriations increased \$72,166 during fiscal year 2019 and the Consumer Settlements Fund continued to be used as a source of fund for operating expenditures. The general fund appropriation for fiscal year 2019 was \$17,200,400. The amount of Consumer Settlement Funds required to supplement the budget as a source was \$5,194,200. Actual revenues and other financing sources in the Consumer Settlement Fund were higher than budget amounts by \$4,802,279.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

Currently Known Facts and Conditions

The Consumer Settlement fund has historically been utilized to fund nearly half of the Office of Attorney General's operations and has also been used for external state agency projects/initiatives. The depletion of this fund in fiscal years 2017 and 2018 has required an increase from the state general fund in FY 2020 in order to adequately fund the operations of the Office and maintain a healthy balance in the Consumer Settlement Fund in order to adequately support the Office budget in future years.

Requests for Information

This financial report is designed to provide a general overview of the OAG finances for all interested parties. If you have questions about this report or need additional information, contact:

The Office of the Attorney General
Financial Control Division
Villagra Building
Santa Fe, New Mexico 87504

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Current Assets:	
Cash in Banks	\$ 1,426
Investments, State Treasurer	21,779,974
Due From Federal Government	429,041
Due From Other Organizations	331,915
Total Current Assets	22,542,356
Non-Current Assets:	
Capital Assets, Net	568,447
Total Assets	\$ 23,110,803
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 860,809
Accrued Payroll	669,893
Other Liabilities	234
Due to Other State Agencies	2,301
Due to State General Fund	46,610
Due to Taxpayers	336,442
Compensated Absences (due within one year)	866,439
Total Current Liabilities	2,782,728
 NET POSITION	
Net Investment in Capital Assets	568,447
Restricted	19,759,628
Unrestricted	-
Total Net Position	20,328,075
Total Liabilities and Net Position	\$ 23,110,803

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities
Program Expenses	
General Government:	
Personnel Services and Employee Benefits	\$ 17,471,313
Contractual Services	2,075,523
Other Costs	2,869,101
Depreciation Expense	94,973
Total Expenses	22,510,910
 Program Revenues	
Federal Operating Grants	2,994,920
Medicaid Program Income	976
Retained Settlement and Other Revenues	11,135,226
Total Program Revenues	14,131,122
 Net Program Revenues (Expenses)	(8,379,788)
 General Revenues and Transfers	
State General Fund Appropriations	17,200,400
Reversions	(116,886)
Other Financing Sources	1,272,705
Total General Revenues and Transfers	18,356,219
 Change in Net Position	9,976,431
 Net Position - Beginning of Year	10,368,439
Restatement	(16,795)
Net Position - As Restated	10,351,644
 Net Position - End of Year	\$ 20,328,075

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund (17000)	Medicaid Fraud Control (27800)	Consumer Settlement (54400)
ASSETS			
Cash in Banks	\$ 1,246	\$ -	\$ -
Investments, State Treasurer	5,802,926	43,016	15,727,035
Due From Federal Government	-	339,945	-
Due From Other Organizations	331,915	-	-
Total Assets	\$ 6,136,087	\$ 382,961	\$ 15,727,035
 LIABILITIES			
Accounts Payable	\$ 688,015	\$ 140,914	\$ -
Accrued Payroll	558,049	85,062	-
Other Liabilities	234	-	-
Due to Other State Agencies	2,301	-	-
Due to State General Fund	89	-	37,029
Due to Taxpayers	-	-	336,442
Total Liabilities	1,248,688	225,976	373,471
 FUND BALANCES			
Spendable:			
Restricted for:			
Special Appropriations	4,887,399	-	-
Medicaid Fraud Program Programs	-	156,985	-
Antitrust Litigation	-	-	-
Consumer Settlements	-	-	15,353,564
Unassigned	-	-	-
Total Fund Balances	4,887,399	156,985	15,353,564
Total Liabilities and Fund Balances	\$ 6,136,087	\$ 382,961	\$ 15,727,035

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
BALANCE SHEET – (CONTINUED)
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>Programs Fund (50250)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash in Banks	\$ -	\$ 180	\$ 1,426
Investments, State Treasurer	160,540	46,457	21,779,974
Due From Federal Government	89,096	-	429,041
Due From Other Organizations	-	-	331,915
Total Assets	<u>\$ 249,636</u>	<u>\$ 46,637</u>	<u>\$ 22,542,356</u>
LIABILITIES			
Accounts Payable	\$ 31,880	\$ -	\$ 860,809
Accrued Payroll	25,554	1,228	669,893
Other Liabilities	-	-	234
Due to Other State Agencies	-	-	2,301
Due to State General Fund	-	9,492	46,610
Due to Taxpayers	-	-	336,442
Total Liabilities	<u>57,434</u>	<u>10,720</u>	<u>1,916,289</u>
FUND BALANCES			
Spendable:			
Restricted for:			
Special Appropriations	-	-	4,887,399
Medicaid Fraud Program	-	8,865	165,850
Programs	192,202	-	192,202
Antitrust Litigation	-	26,872	26,872
Consumer Settlements	-	180	15,353,744
Unassigned	-	-	-
Total Fund Balances	<u>192,202</u>	<u>35,917</u>	<u>20,626,067</u>
Total Liabilities and Fund Balances	<u>\$ 249,636</u>	<u>\$ 46,637</u>	<u>\$ 22,542,356</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances for Governmental Funds \$ 20,626,067

Amounts reported for governmental activities in the statement of net position
are different as follows:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as asset in governmental funds.
These assets consist of:

Capital Assets, Net 568,447

Some liabilities are not due and payable in the current period and
therefore are not reported as liabilities in governmental funds:

Compensated Absences Payable (866,439)

Net Position of Governmental Activities \$ 20,328,075

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund (17000)	Medicaid Fraud Control (27800)	Consumer Settlement (54400)
REVENUES			
Federal Operating Grants	\$ -	\$ 2,035,672	\$ -
Medicaid Program Income	-	600	-
Retained Settlement and Other Revenues	<u>1,138,747</u>	<u>-</u>	<u>9,996,479</u>
Total Revenues	<u>1,138,747</u>	<u>2,036,272</u>	<u>9,996,479</u>
EXPENDITURES			
Current:			
Personnel Services and Employee Benefits	14,687,502	2,119,643	-
Contractual Services	1,907,358	156,772	-
Other Costs	2,222,433	384,130	-
Capital Outlay	<u>305,061</u>	<u>53,683</u>	<u>-</u>
Total Expenditures	<u>19,122,354</u>	<u>2,714,228</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(17,983,607)</u>	<u>(677,956)</u>	<u>9,996,479</u>
OTHER FINANCING SOURCES (USES)			
State General Fund Appropriations	16,480,400	720,000	-
Transfers In	2,801,728	-	-
Transfers Out	-	-	(2,801,728)
Reversions	(116,886)	-	-
Other Financing Sources	1,272,600	-	105
Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>20,437,842</u>	<u>720,000</u>	<u>(2,801,623)</u>
Net Change in Fund Balance	<u>2,454,235</u>	<u>42,044</u>	<u>7,194,856</u>
Fund Balance - Beginning of Year	2,433,164	114,941	8,175,503
Restatement	<u>-</u>	<u>-</u>	<u>(16,795)</u>
Fund Balance - as Restated	<u>2,433,164</u>	<u>114,941</u>	<u>8,158,708</u>
Fund Balance - End of Year	<u>\$ 4,887,399</u>	<u>\$ 156,985</u>	<u>\$ 15,353,564</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	Programs Fund (50250)	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Federal Operating Grants	\$ 959,248	\$ -	\$ 2,994,920
Medicaid Program Income	-	376	976
Retained Settlement and Other Revenues	-	-	11,135,226
Total Revenues	<u>959,248</u>	<u>376</u>	<u>14,131,122</u>
EXPENDITURES			
Current:			
Personnel Services and Employee Benefits	670,018	-	17,477,163
Contractual Services	11,393	-	2,075,523
Other Costs	262,538	-	2,869,101
Capital Outlay	-	-	358,744
Total Expenditures	<u>943,949</u>	<u>-</u>	<u>22,780,531</u>
Excess (Deficiency) of Revenues over Expenditures	<u>15,299</u>	<u>376</u>	<u>(8,649,409)</u>
OTHER FINANCING SOURCES (USES)			
State General Fund Appropriations	-	-	17,200,400
Transfers In	-	-	2,801,728
Transfers Out	-	-	(2,801,728)
Reversions	-	-	(116,886)
Other Financing Sources	-	-	1,272,705
Other Financing Uses	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>18,356,219</u>
Net Change in Fund Balance	<u>15,299</u>	<u>376</u>	<u>9,706,810</u>
Fund Balance - Beginning of Year	176,903	35,541	10,936,052
Restatement	-	-	(16,795)
Fund Balance - as Restated	<u>176,903</u>	<u>35,541</u>	<u>10,919,257</u>
Fund Balance - End of Year	<u>\$ 192,202</u>	<u>\$ 35,917</u>	<u>\$ 20,626,067</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 9,706,810

Amounts reported for governmental activities in
the Statement of Activities are different because:

Depreciation Expense	(94,973)	
Capital Outlay	<u>358,744</u>	
Excess (deficiency) of capital outlay over depreciation expense		263,771

Expenses reported in the Statement of Activities that do not require
the use of current financial resources and therefore are not
reported as expenditures in the governmental funds:

Decrease in Compensated Absences		5,850
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Change In Net Position - Governmental Activities		<u><u>\$ 9,976,431</u></u>
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**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) –
GENERAL FUND (17000)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Federal Operating Grants	\$ -	\$ -	\$ -	\$ -
Medicaid Program Income	-	-	-	-
Retained Settlement and Other Revenues	<u>917,400</u>	<u>917,400</u>	<u>1,138,747</u>	<u>221,347</u>
Total Revenues	917,400	917,400	1,138,747	221,347
Add: Budgeted Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues & Budgeted Fund Balance	<u>917,400</u>	<u>917,400</u>	<u>1,138,747</u>	<u>221,347</u>
Expenditures				
Current				
General Government:				
Personal Services & Benefits	16,259,200	16,289,200	14,687,502	1,601,698
Contractual Services	2,790,000	3,355,000	1,907,358	1,447,642
Other Costs	<u>4,815,400</u>	<u>4,220,400</u>	<u>2,527,494</u>	<u>1,692,906</u>
Total Expenditures	<u>23,864,600</u>	<u>23,864,600</u>	<u>19,122,354</u>	<u>4,742,246</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(22,947,200)</u>	<u>(22,947,200)</u>	<u>(17,983,607)</u>	<u>(4,520,899)</u>
Other Financing Sources (Uses)				
State General Fund Appropriation ¹	16,480,400	16,480,400	16,480,400	-
Transfers In	-	-	-	-
Transfers Out to 27800	-	-	-	-
Reversions	-	-	(116,886)	(116,886)
Other Financing Sources	1,272,600	1,272,600	1,272,600	-
Other Financing Uses	<u>5,194,200</u>	<u>5,194,200</u>	<u>2,801,728</u>	<u>(2,392,472)</u>
Total Other Financing Sources (Uses)	<u>\$ 22,947,200</u>	<u>\$ 22,947,200</u>	<u>20,437,842</u>	<u>\$ (2,509,358)</u>
Net Change in Fund Balance			<u>\$ 2,454,235</u>	

1 - Legal Services \$12,330,400 and 1-4 of \$4,150,000 - laws of 2019 section 5 Special Appropriations

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) –
MEDICAID FRAUD CONTROL FUND (27800)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Federal Operating Grants	\$ 2,160,600	\$ 2,160,600	\$ 2,035,672	\$ (124,928)
Medicaid Program Income	-	-	600	600
Retained Settlement and Other Revenues	-	-	-	-
Total Revenues	<u>2,160,600</u>	<u>2,160,600</u>	<u>2,036,272</u>	<u>(124,328)</u>
Add: Budgeted Fund Balances	-	-	-	-
Total Revenues & Budgeted Fund Balance	<u>2,160,600</u>	<u>2,160,600</u>	<u>2,036,272</u>	<u>(124,328)</u>
Expenditures				
Current				
General Government:				
Personal Services & Benefits	2,285,500	2,245,500	2,119,643	125,857
Contractual Services	164,500	164,500	156,772	7,728
Other Costs	<u>430,600</u>	<u>470,600</u>	<u>437,813</u>	<u>32,787</u>
Total Expenditures	<u>2,880,600</u>	<u>2,880,600</u>	<u>2,714,228</u>	<u>166,372</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(720,000)</u>	<u>(720,000)</u>	<u>(677,956)</u>	<u>(290,700)</u>
Other Financing Sources (Uses)				
State General Fund Appropriations	720,000	720,000	720,000	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Reversions	-	-	-	-
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 720,000</u>	<u>\$ 720,000</u>	<u>720,000</u>	<u>\$ -</u>
Net Change in Fund Balance			<u>\$ 42,044</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) –
CONSUMER SETTLEMENTS FUND (54400)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Federal Operating Grants	\$ -	\$ -	\$ -	\$ -
Medicaid Program Income	-	-	-	-
Retained Settlement and Other Revenues	<u>5,194,200</u>	<u>5,194,200</u>	<u>9,996,479</u>	<u>4,802,279</u>
Total Revenues	<u>5,194,200</u>	<u>5,194,200</u>	<u>9,996,479</u>	<u>4,802,279</u>
Add: Budgeted Fund Balances	-	-	-	-
Total Revenues & Budgeted Fund Balance	<u>5,194,200</u>	<u>5,194,200</u>	<u>9,996,479</u>	<u>4,802,279</u>
Expenditures				
Current				
General Government:				
Personal Services & Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,194,200</u>	<u>5,194,200</u>	<u>9,996,479</u>	<u>4,802,279</u>
Other Financing Sources (Uses)				
State General Fund Appropriations	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Reversions	-	-	-	-
Other Financing Sources	-	-	105	105
Other Financing Uses	<u>(5,194,200)</u>	<u>(5,194,200)</u>	<u>(2,801,728)</u>	<u>2,392,472</u>
Total Other Financing Sources (Uses)	<u>\$ (5,194,200)</u>	<u>\$ (5,194,200)</u>	<u>(2,801,623)</u>	<u>\$ 2,392,577</u>
Net Change in Fund Balance			<u>\$ 7,194,856</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) –
PROGRAMS FUND (50250)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Federal Operating Grants	\$ 876,500	\$ 1,313,650	\$ 959,248	\$ (354,402)
Medicaid Program Income	-	-	-	-
Retained Settlement and Other Revenues	-	-	-	-
Total Revenues	<u>876,500</u>	<u>1,313,650</u>	<u>959,248</u>	<u>(354,402)</u>
Add: Budgeted Fund Balances	-	-	-	-
Total Revenues & Budgeted Fund Balance	<u>876,500</u>	<u>1,313,650</u>	<u>959,248</u>	<u>(354,402)</u>
Expenditures				
Current				
General Government:				
Personal Services & Benefits	564,700	928,877	670,018	258,859
Contractual Services	18,900	18,900	11,393	7,507
Other Costs	<u>292,900</u>	<u>365,873</u>	<u>262,538</u>	<u>103,335</u>
Total Expenditures	<u>876,500</u>	<u>1,313,650</u>	<u>943,949</u>	<u>369,701</u>
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	<u>15,299</u>	<u>(724,103)</u>
Other Financing Sources (Uses)				
State General Fund Appropriation	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Reversions	-	-	-	-
Other Financing Sources	-	-	-	-
Other Financing Uses	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net Change in Fund Balance			<u>\$ 15,299</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019**

	Dram Matter Cost Share (08100)	Victims' Restitution (69500)	Special Trust (70100)	Cummins Settlement (70200)
ASSETS				
Investments - State Treasurer	\$ 7,981	\$ 66,798	\$ 11,260	\$ 6,943
Total Assets	<u>\$ 7,981</u>	<u>\$ 66,798</u>	<u>\$ 11,260</u>	<u>\$ 6,943</u>

LIABILITIES

Deposits Held for Consumers & Others	\$ 7,981	\$ 66,798	\$ 11,260	\$ 6,943
Total Liabilities	<u>\$ 7,981</u>	<u>\$ 66,798</u>	<u>\$ 11,260</u>	<u>\$ 6,943</u>

	Mylan Multistate Antitrust (95000)	Buspar Multistate Antitrust (12700)	Total
ASSETS			
Investments - State Treasurer	\$ 333,443	\$ 7,331	\$ 433,756
Total Assets	<u>\$ 333,443</u>	<u>\$ 7,331</u>	<u>\$ 433,756</u>

LIABILITIES

Deposits Held for Consumers & Others	\$ 333,443	\$ 7,331	\$ 433,756
Total Liabilities	<u>\$ 333,443</u>	<u>\$ 7,331</u>	<u>\$ 433,756</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The State of New Mexico, Office of the Attorney General (the Office), Department of Justice, was created by Article V, Section 1 of the New Mexico Constitution, and the Attorney General is designated by law as the head of the Department of Justice (Section 8-5-1 through Section 8-5-16, NMSA, 1978 Compilation). The functions of the Office are to serve as the legal representative of the State in lawsuits, to represent State agencies, departments, board and commissions, as well as all State employees or officials involved in lawsuits relating to their official duties (providing the suit was not initiated by the State against that person), and to represent the Public Regulation Commission as specifically stated in the Constitution; to give opinions on legal questions asked by the Legislature, individual Legislators, State officials, and District Attorneys on matters related to their official duties; to act in any criminal or civil cases in which a county or the State is a party or has an interest, if the district attorney fails or refuses to act, and if the Attorney General determines that action is advisable; to investigate local matters in which the State has an interest, if directed to do so by the Governor, to maintain a register of charitable organizations; to assign lawyers or investigators to assure that elections are properly conducted; to enforce the Indian Arts and Crafts Sales Act, the Land Subdivision Act, the Unfair Practices Act, and the Open Meetings Act; to serve as a member of the Mortgage Finance Authority, the Risk Management Advisory Board, the State Commission of Public Records, the Judicial Council, the Compilation Commission, and the Law Enforcement Academy Board.

The Office also operates the Medicaid fraud control unit with the power to investigate or prosecute fraud and abuse in the Medicaid program.

The financial statements of the Office have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies of the Office are described as follows:

Financial Reporting Entity and Component Units

The Attorney General is an elected official elected for a four-year term and can serve two consecutive terms in office. The Office is included in the executive branch of New Mexico State Government and these financial statements include all funds, programs, and activities over which the Attorney General has oversight responsibility.

The Office implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* in fiscal year 2002. The Office is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR).

See Independent Auditors’ Report

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity and Component Units (continued)

In evaluating how to define the Office for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, including the existence of financial benefit or burden condition. Based upon the application of these criteria, the Office of the Attorney General does not have any component units.

Basic Financial Statements – Government-Wide Statements

The Office's basic financial statements include both government-wide (based on the Office as a whole) and fund financial statements and report information on all non-fiduciary activities. Both the government-wide and fund financial statements (within the basic statements) categorize primary activities as either governmental or business-type. The Office is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on a full accrual, economic resource measurement focus, which incorporates long-term assets and receivables, as well as long-term debt and obligations. The Statement of Net Position is composed of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. There are no deferred outflows of resources and no deferred inflows of resources at June 30, 2019. The Office's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. When applicable, the effect of interfund activity is removed from the Statement of Net Position in order to avoid a grossing-up effect on assets and liabilities within the statements.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (general government) which are otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues, operating and capital grants. Program revenue must be directly associated with the function (general government). Program revenues include 1) charges to applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) consumer settlements awarded to the Office that are restricted to meeting the operational or capital requirements of a particular function or segment subject to appropriation and approval of the state legislature. The appropriation from the State general fund is not included among program revenues, but instead is reported as general revenue.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Government-Wide Statements (continued)

The net cost by function is normally covered by general revenue that does not employ indirect cost allocation.

The government-wide focus is more on the sustainability of the Office as an entity and the change in the Office's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The fund financial statements, the balance sheet and statement of revenues, expenditures and changes in fund balances, are presented to report additional and detailed information about the Office. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Office's major funds are the general fund, Medicaid fraud control unit fund, and the consumer settlements fund.

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Office's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The Office's fiduciary funds are presented with the basic financial statements and the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus is on the Office as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary fund by category.

The financial transactions of the Office are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures, or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Fund Financial Statements (continued)

The reporting model under GASB 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues, or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining sections.

The following fund types are used by the Office:

Governmental Funds - All governmental fund types are accounted for on a spending or current resources measurement focus. Only current assets and current liabilities that are “available” are generally included on their balance sheets. Availability for purposes of revenue and liability recognition purposes is generally 60 days. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures of fund liabilities.

General Fund (17000) - The general fund is the general operating fund of the Office. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is a major fund. The general fund is the operating account for the Office, and this is a reverting fund for amounts that contain unexpended, revertible general fund appropriations.

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Office’s special revenue funds are as follows:

Antitrust Litigation Fund (08500) – The fund receives five percent of the proceeds awarded by courts in order to assist in defraying the cost incurred in initiating and litigating suits. The fund was authorized by the Laws of 1986, Chapter 19, Section 4, and is nonreverting. The antitrust litigation fund is a non-major fund. There was no activity in fiscal year 2019.

Medicaid Program Income Fund (27500) – To account for program income derived from the Medicaid fraud program. Legal restrictions on expenditures and the authority for the creation of the fund are a result of the agreements between the Office of the Attorney General and the Department of Health and Human Services. The fund is a non-major fund and is non-reverting.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Fund Financial Statements (continued)

Medicaid Fraud Control Fund (27800) – To account for the activity of the Medicaid fraud control unit. Monies are derived from awards of the Federal Department of Health and Human Services and State general fund appropriations. The authority for this fund and the Medicaid program income fund is 42 USC 1396b(a)(6) and 1396b(b)(3). Legal restrictions on expenditures and the authority for the creation of the fund are a result of the agreements between the Office of the Attorney General and the Department of Health and Human Services and the annual appropriation laws. The Medicaid fraud control fund is a major fund and is a non-reverting fund.

Programs Fund (50250) – To account for the non-major grants and programs operated by the Attorney General’s office. Expenses and revenues for federal (other than the Medicaid Fraud Program), state and local programs (ICAC, PED, SWBA, Human Trafficking, Traffic Safety) are monitored through this fund to segregate this activity from the general fund for easier monitoring of the program activity. This fund was not legislatively created. The nature and source of the program will determine if any portion of this fund is reverting. This fund is a major fund.

Consumer Settlements Fund (54400) – To account for settlements received by the Office of the Attorney General from various court orders. The fund is authorized under Section 8-5-2 and 36-1-22, NMSA 1978, as amended. Funds are transferred to the Office’s general fund for operational expenses as authorized by law through the annual legislative process. The consumer settlements fund is a major fund and is non-reverting. The restricted fund balance in the Consumer Settlements Fund is comprised of:

Amount	Restricted for:
\$ 409,694	Home Ownership Preservation Program
336,442	Restitution
<u>14,607,428</u>	Consumer Settlements
<u>\$ 15,353,564</u>	Total Restricted Fund Balance - Consumer Settlements Fund

Grant Fund (64900) – To account for the activity of the Native American Arts and Crafts Investigation and Prosecution Project to enforce the Indian Arts and Crafts Sales Act; private grants and charitable organization registration fees. Legal restrictions on expenditures and the authority for the creation of the grant fund are a result of Laws of 1998, Chapter 116, grant agreements and the Charitable Solicitation Act (Section 57- 22-1 et. seq., NMSA 1978). The fund is considered to be reverting and non-reverting as general fund appropriations are reverting. The grant fund is a non-major fund. There was no activity in fiscal year 2019.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Fund Financial Statements (continued)

American Recovery and Reinvestment Act Fund (ARRA) (89000) – On February 13, 2009, the U. S. Congress passed the American Recovery and Reinvestment Act of 2009 in response to the economic crisis. Due to the separate reporting requirement for ARRA expenditures, as specified by the Office of Management and Budget (OMB), the Office records all ARRA activity in this special revenue fund. The ARRA fund is a non-major fund and is non-reverting. There was no activity in fiscal year 2019.

Fiduciary Funds - Fiduciary fund types include trust and agency funds, which are used to account for assets held by the Office in the capacity of trustee or agent.

Agency Funds. Agency funds are used to account for assets held as an agent for other governmental units, individuals, and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds of the Office are used to account for the proceeds of settlement and court decisions until the proceeds may be distributed to the proper recipients. The Office's agency funds are as follows:

- 08100 - Dram matter cost share fund
- 69500 - Victim restitution fund
- 70100 - Special trust fund
- 70200 - Cummins settlement fund
- 95000 - Mylan multi-state antitrust fund
- 12700 - Buspar multi-state antitrust fund

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the fiduciary financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the accrual method of accounting revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and non-exchange transactions are recognized in accordance with full accrual accounting and with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation (continued)

All governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resources increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are available if collected within sixty days of the end of the fiscal year.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred and all other eligibility requirements of the grant, if any, are met.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory, and certain sick leave are not accrued as current liabilities but as non-current liabilities. However, in the government-wide financial statements, both current and long-term are accrued. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. If both restricted and nonrestricted resources are available, the Office first applies restricted resources when expenditures are incurred.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient.

Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Office which generally lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget and financial control system which permits a budget-to-actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation program level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the annual General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

These procedures are followed in establishing the budgetary data reflected in the financial statements:

1. No later than September 1, the Office submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the source of funding.
2. Budget hearings are generally scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings and any other committee action is incorporated into the State's General Appropriations Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. No later than May 1, the Office submits to the DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA Budget Division and by the LFC.
5. Budgetary control is exercised by the Office at the appropriation program level.
6. The budget for the general fund and special revenue funds are adopted on modified accrual basis per the annual General Appropriation Act. Budgetary comparisons presented in this report for the general fund and special revenue funds are on the budgetary basis which is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget (there were no budgets for the antitrust litigation fund, or grant fund, for fiscal year 2019 due to inactivity).
7. The original budget differs from the final budgets presented in the budget comparison statements by any amendments made during the fiscal year.
8. Appropriations lapse at the end of the fiscal year with the exception of those amounts related to goods and services received by June 30 and appropriation amounts with specific language that extends the time period, or non-reversion language.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

In accordance with the requirements of Section 2.2.2 10.A (2) (b) of 2.2.2. NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the requirements established by GASB 34, the budgetary comparison statement for the general fund and major funds has been included as part of the basic financial statements.

Certain funds are not required to be budgeted: Antitrust Litigation 08500, Grant 64900, ARRA 89000, and Medicaid Program Income 27500.

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Investment in the State Treasurer Investment Pool: The Office does not control any cash accounts. The State Treasurer has final authority on all cash disbursements and receives all cash receipts. Therefore, the Office has and reports an investment with the State Treasurer for its share of the cash pool. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable from available resources.

Capital Assets: Capital assets categories of the Office include data processing equipment, furniture and fixtures, equipment, and automobiles. The Office does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,500 to items costing more than \$5,000. Items that have been added to the inventory have met the requirements of the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment.

The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Office does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the Office are depreciated using zero salvage value and the straight-line method over the following estimated useful lives.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Depreciable assets are equipment items with useful lives ranging from four (4) to ten (10) years.

<u>Assets</u>	<u>Years</u>
Data Processing	4-10
Equipment	7-10
Automotive	3-5
Furniture and Fixtures	10

The Office utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as road, bridges, etc. The Office does not own any infrastructure assets.

Accrued Compensated Absences: Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

Employees accumulate annual leave at a rate based on length of service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated annual leave as of the date of termination, up to a maximum of 240 hours.

Employees accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours, up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Additionally, upon retirement, those employees with over 600 hours accumulated sick leave have the option to convert up to 120 hours of such leave to cash at one-half of their hourly rate.

Fair Labor Standards Act (FLSA) non-exempt employees accumulate compensation time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Overtime must be pre-approved.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for FLSA non-exempt employees, including the related employers' matching FICA and Medicare payroll taxes.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

Reversions: The General Appropriation Act of 2007, Chapter 28 Section 3, Subsection N, states that “For the purpose of administering the General Appropriation Act of 2007, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration.” In accordance with the Department of Finance and Administration’s *“Basis of Accounting- Modified Accrual and the Budgetary Basis,”* the Office has accrued as payables amounts owed for goods and services received by June 30, 2019. Any State general fund appropriations remaining in general fund (SHARE Fund 17000) fund balance not multi-year special appropriations, reserved for litigation, programs, or consumer settlements is reverted to the State general fund.

Net Position/Fund Balance: In the government-wide financial statements net position consist of three components: net investment in capital assets, net of related debt; restricted; and unrestricted. The Office has no debt related to capital assets; therefore, net position invested in capital assets equal the capital assets, net of accumulated depreciation. Capital assets are defined as those tangible or intangible assets used in operations and having a useful life greater than a single reporting period.

Net position is reported as restricted when constraints placed on net asset use are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of net position restricted by enabling legislation is \$19,759,628 at June 30, 2019, which represents all restricted net position reported on the statement of net position.

These resources remaining in net position were received or earned with the explicit understanding between the Office and the resource provider (grantor, contributor, other government, or enabling legislation) that the funds would be used for a specific purpose. Generally, the Office would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. All remaining net position that is not related to capital assets are shown as unrestricted.

In the governmental fund financial statements, the Office classifies fund balances into spendable and nonspendable classifications. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact until expended for its restricted purpose.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

Restricted Fund Balances

In the governmental fund financial statements *restrictions* of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the fund balance account are summarized below:

Restricted for special appropriations – This restricted fund balance relates to special appropriations for litigation of the Rio Grande Compact Guardianship Unit and extraordinary litigation that does not revert at the end of FY 2019.

Restricted for Medicaid fraud program – This restricted fund balance for the Medicaid Fraud Program is monies earned for the investigative cost and fees related to Medicaid Fraud Cases that must be expended for Medicaid Fraud Program cases in accordance with federal grantor requirements.

Restricted for consumer settlements – The restricted fund balance for consumer settlement is monies received by the Office in settlement of consumer and other legal proceedings and are restricted in use of proceeds by court mandate.

Restricted for programs – This restricted fund balance for programs is monies earned for grants and programs that must be expended in support of those specific programs in accordance with program requirements.

Restricted for antitrust litigation – This restricted fund balance for antitrust litigation was authorized by the Laws of 1986, Chapter 19, Section 4, in order to assist in defraying the costs incurred in initiating and litigating suits.

The additional spendable classifications are detailed as follows:

Committed Fund Balances

In the governmental fund financial statements, *committed* fund balances are reported when amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (both Legislative and Executive branches through formal action). The Office has no *committed* fund balances as of June 30, 2019.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance (continued)

Assigned Fund Balances

In the governmental fund financial statements, *assigned* fund balances are reported when amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Office does not have the authority to assign fund balances for a specific purpose. The Office has no *assigned* fund balances as of June 30, 2019.

Unassigned Fund Balances

In the governmental fund financial statements, *unassigned* fund balances are reported to reflect residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The Office has no *unassigned* fund balances as of June 30, 2019.

The Office financial statements show restricted fund balance of \$4,887,399 for the General Fund, \$156,985 for Medicaid fraud, \$15,353,564 restricted for consumer settlements, \$192,202 for programs, \$8,865 for medical program income, \$26,872 for antitrust litigation and \$180 for the grant fund.

Generally, the Office would first apply committed resources when an expense is incurred for purposes for which both committed, assigned, or unassigned fund balances are available.

Federal Grants Receivable: Grant revenue is recognized when all eligibility criteria for federal awards are met. Various reimbursement procedures are used for federal awards received by the Office. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2: CASH AND INVESTMENTS

1. Cash in Banks

Cash on deposit with area banks amounting to \$1,426 represent amounts which are held for use by the agents of the Office. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

2. Investment in the State Treasurer General Fund Investment Pool (SGFIP)

State law (Section 8-6-3 NMSA 1978) requires the Office's cash be managed by the New Mexico State Treasurer's Office (STO). Accordingly, the investments of the Office consist of their pro-rata interest in the State General Fund Investment Pool in the amount of \$21,779,974.

The Office's general fund is reverting as it relates to general fund appropriations that lapse at year end, which does not allow excessive buildup of cash at the end of the year. Unspent general fund appropriation funding is reverted and appropriations and corresponding reversions are reviewed each year. However, special appropriations accounted for in the general fund may be used for more than one year, in which the Office will have funds allocated to these purposes in future periods and accounted for as restricted fund balance at year end. The consumer settlement fund cash balance relates to restricted settlement funds.

The Office maintains certain compensating controls for the monitoring of cash receipts and cash disbursements. Federal funding is received on a reimbursement basis whereby revenues equal expenditures for each program.

State General Fund Investment Pool Reconciliation

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except where otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2019. The process has been previously reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with the reconciliation requirements.

It is asserted that as of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources. It is also asserted that all claims as recorded in the SHARE system shall be honored at face value.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2: CASH AND INVESTMENTS (continued)

The SGFIP balance conveyed by STO and DFA are reviewed for accuracy by the Office on a monthly basis and as a whole at year end June 30, 2019.

<u>Funds</u>	<u>SHARE Fund #</u>	<u>Investment at State Treasurer</u>	<u>Reconciling Items</u>	<u>Book Value at June 30, 2019</u>
<u>Major Funds:</u>				
General Fund	17000	\$ 5,802,926	\$ -	\$ 5,802,926
Medicaid Fraud Control	27800	43,016	-	43,016
Consumer Settlement Fund	54400	15,727,035	-	15,727,035
Programs Fund	50250	160,540	-	160,540
Total Major Funds		<u>\$ 21,733,517</u>	<u>\$ -</u>	<u>\$ 21,733,517</u>
<u>Nonmajor Funds:</u>				
Antitrust Litigation Fund	08500	\$ 26,872	\$ -	\$ 26,872
Medicaid Program Income Fund	27500	8,865	-	8,865
ARRA Fund	89000	10,720	-	10,720
Total Nonmajor Funds		<u>46,457</u>	<u>-</u>	<u>46,457</u>
Total Governmental Funds		<u>\$ 21,779,974</u>	<u>\$ -</u>	<u>\$ 21,779,974</u>
<u>Agency Funds:</u>				
Dram Matter Cost Share Fund	08100	\$ 7,981	\$ -	\$ 7,981
Buspar Multi-state Antitrust Fund	12700	7,331	-	7,331
Victims' Restitution Fund	69500	66,798	-	66,798
Special Trust Fund	70100	11,260	-	11,260
Cummins Settlement Fund	70200	6,943	-	6,943
Mylan Multi-state Antitrust Fund	95000	333,443	-	333,443
Total Agency Funds		<u>\$ 433,756</u>	<u>\$ -</u>	<u>\$ 433,756</u>

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer State Investment Fund Pool is not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2019.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3: DUE TO AND DUE FROM

The following are short-term amounts owed between other State agencies and other governments and are classified as due from other State agencies and other governments:

The following amounts are due from other state agencies, organizations and governments:

<u>Due From Other State Agencies, Organizations and Governments</u>	
Southwest Border Alliance	\$ 331,016
Other	899
	<hr/>
Net Amount Due From Other State Agencies, Organizations and Governments	<u>\$ 331,915</u>

The Office considers all amounts due from other state agencies, organizations and governments to be fully collectable, and therefore, there is no provision for uncollectable accounts.

The following amounts are due to other state agencies, general fund and taxpayers:

<u>Due To Other State Agencies, General Fund and Taxpayers</u>	
Due to Other State Agencies	\$ 2,301
Due to State General Fund	46,610
Due to Taxpayers	336,442
	<hr/>
Net Amount Due To Other State Agencies, General Fund and Taxpayers	<u>\$ 385,353</u>

NOTE 4: DUE FROM FEDERAL GOVERNMENT

Due from federal government represents the excess of expenditures over reimbursements received on Federal awards programs and is fully collectible based on subsequent cash collections after year-end. As of June 30, 2019, \$429,041 was due from the federal government. The Office considers all amounts due from federal government to be fully collectable, and therefore, there is no provision for uncollectable accounts.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 5: CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2019, is as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments/ Transfers</u>	<u>Balance June 30, 2019</u>
Capital Assets being Depreciated:					
Data Processing	\$ 379,786	\$ -	\$ -	\$ -	\$ 379,786
Equipment	74,879	-	-	(7,063)	67,816
Automotive	106,840	358,744	-	-	465,584
Furniture and Fixtures	44,311	-	-	7,063	51,374
Total Capital Assets	<u>\$ 605,816</u>	<u>\$ 358,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 964,560</u>
Less Accumulated Depreciation for:					
Data Processing	\$ 189,676	\$ 52,206	\$ -	\$ -	\$ 241,882
Equipment	65,321	5,045	-	(7,063)	63,303
Automotive	1,832	37,722	-	-	39,554
Furniture and Fixtures	44,311	-	-	7,063	51,374
Total Accumulated Depreciation	<u>\$ 301,140</u>	<u>\$ 94,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,113</u>
Capital Assets, Net					
Data Processing	\$ 190,110	\$ (52,206)	\$ -	\$ -	\$ 137,904
Equipment	9,558	(5,045)	-	-	4,513
Automotive	105,008	321,022	-	-	426,030
Furniture and Fixtures	-	-	-	-	-
Net Capital Assets	<u>\$ 304,676</u>	<u>\$ 263,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,447</u>

The Office does not have any debt related to capital assets. Depreciation expense for the current year was \$94,973 and charged to general government. There are no assets that are non-depreciable.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 6: COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2019, is as follows:

<u>Description</u>	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>	<u>Due within One Year</u>
Compensated Absences	\$ 872,289	\$ 1,124,249	\$ (1,130,099)	\$ 866,439	\$ 866,439

NOTE 7: ACCRUED SALARIES, TAXES, AND BENEFITS

A portion of payroll expenditures pertaining to the year ended June 30, 2019, was paid on July 5, 2019. Since the disbursements did not occur until subsequent to June 30, 2019, accrued salaries and employee benefits payable totaling \$669,893 has been reflected in the Balance Sheet – Governmental Funds and Statement of Net Position.

NOTE 8: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. When the eligibility requirements are met, the Office’s employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report is also available on PERA’s website at www.nmpera.org.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Office is required to contribute 16.99% of the gross covered salary. The contribution requirements of the plan members and the Office are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office’s employer contributions to PERA for the years ending June 30, 2019, 2018, and 2017, were \$2,115,544, \$1,981,649 and \$1,999,898 respectively, which equal the amount of the required contributions for each year.

Financial Reporting and Disclosure for Multiple Employer Cost Sharing Pension Plans by Employers

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico continues to apply the standard for the fiscal year ending June 30, 2019.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

The Office of the Attorney General, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall total pension liability exceeds plan net position resulting in a net pension liability. The state has determined that the state's share of pension liability to be a liability of the state as a whole rather than any agency or department of the state and will not be reported in the department of the state or agency level financial statements of the state. All required disclosures will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows or resources of the primary government will be contained in the General Fund and the CAFR and will be available from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Office of the Attorney General contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Office's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$249,031, \$233,273, and \$235,421 respectively, which equal the required contributions for each year.

Financial Reporting and Disclosure for Post-employment Benefits – State Retiree Health Care Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10: COMMITMENTS AND CONTINGENCIES

1. Operating Lease Obligations – Commitment

The Office of the Attorney General is committed under several leases for office space, grounds, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2019, amounted to \$779,932.

The following is a schedule by years of future minimum lease rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2019:

<u>Year</u>	<u>Lease Payment</u>
2020	\$ 834,779
2021	662,535
2022	635,231
2023	632,561
2024	642,425
Thereafter	<u>5,223,532</u>
Total	<u>\$ 8,631,063</u>

2. Federal Grants – Contingency

The Office of the Attorney General receives federal grants which may be refundable in the event that terms of the grants are not complied with. There are no outstanding matters from federal oversight agencies at June 30, 2019.

NOTE 11: RISK MANAGEMENT

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance, and State unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. The office pays premiums for this coverage through risk management. All employees of the Office are covered by a blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence for the period July 1, 2012, through June 30, 2019. There have been no reductions in coverage by risk category for the year ending June 30, 2019.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 12: OTHER DISCLOSURE

As indicated in *Note 1*, under Section 8-5-2 (NMSA 1978, as amended) the Attorney General is directed to prosecute and defend in all actions and proceedings where the State may be a party or have an interest. The Office is also authorized to compromise and settle civil actions under the management and control of the Attorney General pursuant to Section 36-1-22 (NMSA 1978, as amended).

Certain revenues received are the result of investigation and settlement of enforcement actions brought pursuant to the New Mexico Unfair Practices Act, Section 57-12-1, et. eq., (NMSA 1978, as amended). Cases have been brought against a number of corporations and business organizations that were alleged to be in violation of the State's laws and regulations on deceptive and misleading trade practices.

Pursuant to Orders issued by the Judicial Courts of New Mexico and formal Assurances of Discontinuance, the companies agreed to change their business practices and to make contributions to consumer education/protection efforts managed by the Office of the Attorney General. The Court orders and assurances are binding and based on the statutory provisions cited above, as well as Section 57-12-8 and 57-12-9 of the Unfair Practices Act. These Court orders and assurances mandate that the Office of the Attorney General receive the payments from the settling parties, manage the funds, and use the monies only for the purpose specified in the settlement document.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 13: TRANSFERS

The following amounts were transferred to other agencies or received by the Office from other agencies:

Transfers between agencies:

Agency Business	Agency Business	Agency Business	Agency Business	Transfer
Unit #	Agency Transfer From	Unit #	Agency Transfer To	Amount In (Out)
(1) 34101	Department of Finance and Administration	30500	Office of the Attorney General	\$ 17,200,400
(2) 34101	Department of Finance and Administration	30500	Office of the Attorney General	272,600
(3) 42000	Regulation and Licensing	30500	Office of the Attorney General	1,000,000
(4) 21900	Supreme Court Building Commission	30500	Office of the Attorney General	105
(5) 30500	Office of the Attorney General	34101	Department of Finance and Administration	(202)
(6) 30500	Office of the Attorney General	34101	Department of Finance and Administration	(116,684)
Net Transfers In (Out)				<u>\$ 18,356,219</u>

Purpose

- (1) General Fund Appropriations - Laws of 2018 and 2019
- (2) General Fund Appropriations - Laws of 2018, section 8 Compensation Appropriations
- (3) General Fund Appropriations - Laws 2018, section 4
- (4) Reversion for Capital Outlay
- (5) Reversion of Guardianship Special - Laws of 2018
- (6) Reversion of Case Prosecution Special - Laws of 2018

In addition to the interfund and inter-agency transfers, the Office is also required by annual budget law to transfer funds via other financing sources and other financing uses accounts. Transfers (other financing sources / uses) totaling \$2,801,728 represent the movement of funds from the Consumer Settlement to the General Fund to fund operations in FY 2019.

NOTE 14: DUE TO STATE GENERAL FUND

Due to State General Fund is composed of the following at June 30, 2019:

Restitution Due to State General Fund	\$ 46,491
State-Dated Warrants and Miscellaneous	<u>119</u>
Total Due to State General Fund	<u>\$ 46,610</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 15: NEW ACCOUNTING STANDARDS

The Office reviewed subsequent pronouncements to June 30, 2019 issued by GASB noting the following statements that may have a potential material effect on the Office's financial statements in subsequent periods.

GASB 82

GASB Statement No. 82, *Fiduciary Activities* (GASB 82) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 82 is effective for periods beginning after December 15, 2018 (FY 2020).

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 2021) with earlier application encouraged.

NOTE 16: RESTATEMENT

A \$16,795 restatement was made to the consumer settlement fund 54400. This restatement was immaterial to the financial statements and was made to correct the fund balance as the amount related to funds that should have been originally classified in an agency fund.

NOTE 17: RECONCILIATION OF BUDGET AND ACTUAL (BUDGETARY BASIS) TO GAAP BASIS FINANCIAL STATEMENTS

For the Office, budgetary basis is GAAP basis.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 18: SUBSEQUENT EVENTS

Events subsequent to June 30, 2019, have been evaluated by management through October 3, 2019, the date the financial statements are available for issuance. In the opinion of management, no events occurring after June 30, 2019, required disclosure or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Medical Program Income (27500)	Antitrust Litigation (08500)	Grant (64900)	ARRA (89000)	Total
ASSETS					
Cash in Banks	\$ -	\$ -	\$ 180	\$ -	\$ 180
Investments, State Treasurer	8,865	26,872	-	10,720	46,457
Due From Federal Government	-	-	-	-	-
Due From Other Organizations	-	-	-	-	-
Total Assets	<u>\$ 8,865</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ 10,720</u>	<u>\$ 46,637</u>
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	1,228	1,228
Other Liabilities	-	-	-	-	-
Due to Other State Agencies	-	-	-	-	-
Due to State General Fund	-	-	-	9,492	9,492
Due to Taxpayers	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,720</u>	<u>10,720</u>
FUND BALANCES					
Spendable:					
Restricted for:					
Special Appropriations	-	-	-	-	-
Medicaid Fraud Program	8,865	-	-	-	8,865
Programs	-	-	-	-	-
Antitrust Litigation	-	26,872	-	-	26,872
Consumer Settlements	-	-	180	-	180
Unassigned	-	-	-	-	-
Total Fund Balances	<u>8,865</u>	<u>26,872</u>	<u>180</u>	<u>-</u>	<u>35,917</u>
Total Liabilities and Fund Balances	<u>\$ 8,865</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ 10,720</u>	<u>\$ 46,637</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Medical Program Income (27500)	Antitrust Litigation (08500)	Grant (64900)	ARRA (89000)	Total
REVENUES					
Federal Operating Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Medicaid Program Income	376	-	-	-	376
Retained Settlement and Other Revenues	-	-	-	-	-
Total Revenues	<u>376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376</u>
EXPENDITURES					
Current:					-
Personnel Services and Employee Benefits	-	-	-	-	-
Contractual Services	-	-	-	-	-
Other Costs	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376</u>
OTHER FINANCING SOURCES (USES)					
State General Fund Appropriations	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Reversions	-	-	-	-	-
Other Financing Sources	-	-	-	-	-
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376</u>
Fund Balance - Beginning of Year	8,489	26,872	180	-	35,541
Restatement	-	-	-	-	-
Fund Balance as Restated	<u>8,489</u>	<u>26,872</u>	<u>180</u>	<u>-</u>	<u>35,541</u>
Fund Balance - End of Year	<u>\$ 8,865</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 35,917</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2019**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<u>Victim Restitution Fund (69500)</u>				
ASSETS				
Investments, State Treasurer	\$ 12,389	\$ 87,070	\$ 32,661	\$ 66,798
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 12,389</u>	<u>\$ 87,070</u>	<u>\$ 32,661</u>	<u>\$ 66,798</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 12,389	\$ 87,070	\$ 32,661	\$ 66,798
Total Liabilities	<u>\$ 12,389</u>	<u>\$ 87,070</u>	<u>\$ 32,661</u>	<u>\$ 66,798</u>
<u>Special Trust Fund (70100)</u>				
ASSETS				
Investments, State Treasurer	\$ 11,260	\$ -	\$ -	\$ 11,260
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 11,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,260</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 11,260	\$ -	\$ -	\$ 11,260
Total Liabilities	<u>\$ 11,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,260</u>
<u>Cummins Settlement Fund (70200)</u>				
ASSETS				
Investments, State Treasurer	\$ 6,725	\$ 218	\$ -	\$ 6,943
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 6,725</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 6,943</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 6,725	\$ 218	\$ -	\$ 6,943
Total Liabilities	<u>\$ 6,725</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 6,943</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES CHANGES
ALL AGENCY FUNDS - CONTINUED
JUNE 30, 2019**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<u>Mylan Multi-state Antitrust Fund (95000)</u>				
ASSETS				
Investments, State Treasurer	\$ 322,969	\$ 10,474	\$ -	\$ 333,443
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 322,969</u>	<u>\$ 10,474</u>	<u>\$ -</u>	<u>\$ 333,443</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 322,969	\$ 10,474	\$ -	\$ 333,443
Total Liabilities	<u>\$ 322,969</u>	<u>\$ 10,474</u>	<u>\$ -</u>	<u>\$ 333,443</u>
<u>Buspar Multi-state Antitrust Fund (12700)</u>				
ASSETS				
Investments, State Treasurer	\$ 7,101	\$ 230	\$ -	\$ 7,331
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 7,101</u>	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ 7,331</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 7,101	\$ 230	\$ -	\$ 7,331
Total Liabilities	<u>\$ 7,101</u>	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ 7,331</u>
<u>Dram Matter Cost Share Fund (08100)</u>				
ASSETS				
Investments, State Treasurer	\$ 300,021	\$ -	\$ 292,040	\$ 7,981
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 300,021</u>	<u>\$ -</u>	<u>\$ 292,040</u>	<u>\$ 7,981</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 300,021	\$ -	\$ 292,040	\$ 7,981
Total Liabilities	<u>\$ 300,021</u>	<u>\$ -</u>	<u>\$ 292,040</u>	<u>\$ 7,981</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES CHANGES
ALL AGENCY FUNDS - CONTINUED
JUNE 30, 2019**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<u>Total All Agency Funds</u>				
ASSETS				
Investments, State Treasurer	\$ 660,465	\$ 97,992	\$ 324,701	\$ 433,756
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 660,465</u>	<u>\$ 97,992</u>	<u>\$ 324,701</u>	<u>\$ 433,756</u>
LIABILITIES				
Deposits Held for Consumers and Others	\$ 660,465	\$ 97,992	\$ 324,701	\$ 433,756
Total Liabilities	<u>\$ 660,465</u>	<u>\$ 97,992</u>	<u>\$ 324,701</u>	<u>\$ 433,756</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2019**

<u>Account Name</u>	<u>SHARE Fund #</u>	<u>Balance Per Bank</u>	<u>Reconciling Items</u>		<u>Reconciled Balance at June 30, 2019</u>
			<u>Outstanding Checks</u>	<u>Other</u>	
Governmental Fund Types:					
Wells Fargo Bank:					
General Fund	17000	\$ 1,246	\$ -	\$ -	\$ 1,246
Grant Fund Checking	64900	<u>180</u>	<u>-</u>	<u>-</u>	<u>180</u>
Total Governmental Fund Types		<u>1,426</u>	<u>-</u>	<u>-</u>	<u>1,426</u>
Total - Cash in Banks		<u>\$ 1,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426</u>

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor Pass-Through Agency Program Title	Federal CFDA Number	Additional Award Information	Grant Award Expended
<u>U.S. Department of Justice:</u>			
<u>Direct Programs:</u>			
Office of Juvenile Justice and Delinquency Prevention:			
Investigative satellite initiative -			
Services for Trafficking Victims	16.320	2015-VT-BX-K045	\$ 168,012
Services for Trafficking Victims	16.320	2018-VT-BX-K091	<u>64,288</u>
Total CFDA # 16.320			<u>232,300</u>
Internet Crimes Against Children (ICAC)	16.543	2015-MC-FX-K035	183,927
Internet Crimes Against Children (ICAC)	16.543	2018-MC-FX-K051	80,827
ICAC Forensic Capacity Hiring Program	16.543	2016-MC-FX-K051	<u>68,889</u>
Total CFDA # 16.543			<u>333,643</u>
<u>Passed Through:</u>			
Office for Victims of Crime			
National Identify Theft Victims Assistance Network	16.582	2016-XV-GX-K004	4,443
VOCA - NM Crime Victims Reparation Commission	16.575	2016-VA-GX-0064	<u>2,202</u>
Total Passed-Through Office fo Victims of Crime			<u>6,645</u>
Total U.S. Department of Justice			<u>572,588</u>
<u>U.S. Department of Transportation:</u>			
<u>Passed Through:</u>			
New Mexico Department of Transportation:			
State and Community Highway Safety	20.608	N/A	66,437
National Priority Safety Programs	20.600	N/A	58,363
	20.616	N/A	<u>118,741</u>
Total U.S. Department of Transportation			<u>243,541</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Direct Programs:</u>			
Medicaid Fraud Control Unit (2017) *	93.775	N/A	456,591
Medicaid Fraud Control Unit (2018) *	93.775	N/A	<u>1,579,081</u>
Total CFDA # 93.775			<u>2,035,672</u>
Total U.S. Department of Health and Human Services:			<u>2,035,672</u>
Total Expenditures of Federal Awards			<u>\$ 2,851,801</u>

* Denotes Major Program

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1: BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards contains federal grant activity of the Office of the Attorney General (OAG) was prepared using the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2: NON-CASH ASSISTANCE

The OAG did not receive any federal awards in the form of noncash assistance or loan assistance during the year.

NOTE 3: RECONCILIATION OF EXPENDITURES

The following is a reconciliation of expenditures reported on the schedule of expenditures of federal awards to the expenditures reported in the governmental fund financial statements:

Expenditures of Federal Awards	\$ 2,851,801
Expenditures Funded by non-federal sources	<u>19,928,730</u>
Total Expenditures	<u>\$ 22,780,531</u>

NOTE 4: SUBRECIPIENTS

There are no sub-recipients of federal funds as of and for the year ended June 30, 2019.

NOTE 5: INDIRECT COST RATE

The OAG has elected to utilize the 10% minimum indirect cost rate when applicable.

NOTE 6: LOANS

The Office did not expend federal awards related to loans or loan guarantees for the year ended June 30, 2019.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Hector H. Balderas, Attorney General
Office of the Attorney General
and
Honorable Brian S. Colón, Esq., State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the fiduciary funds and the budgetary comparisons of the general fund and major special revenue funds, and the aggregate remaining fund information, of the State of New Mexico, Office of the Attorney General (Office) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report dated October 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Office's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 3, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Hector H. Balderas, Attorney General
Office of the Attorney General
and
Honorable Brian S. Colón, Esq., State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Program

We have audited the State of New Mexico, Office of the Attorney General's (Office), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Office's major federal programs for the year ended June 30, 2019. The Office's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Office's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Office's compliance.

Opinion on Each Major Federal Program

In our opinion, the Office complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Office is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Office's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Offices internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak, Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 3, 2019

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
SUMMARY OF AUDIT RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

Financial Statements

Type of auditors' report issued:..... Unmodified

Internal control over financial reporting:

Material weaknesses identified?..... No

Significant deficiencies identified?..... No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified? No

Type of auditors' report issued on compliance
for major programs:..... Unmodified

Any audit findings disclosed that are required
to be reported in accordance with section 200.516
of OMB Uniform Guidance – Subpart F? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.775	Medicaid Fraud Control Unit 2017
93.775	Medicaid Fraud Control Unit 2018

Dollar threshold used to distinguish
between type A and type B programs:\$750,000

Auditee qualified as low-risk auditee under 200.520 of OMB
Uniform Guidance – Subpart F? Yes

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Current Year Findings

There are no current year findings.

Section II – Status of Prior Year Findings

There were no prior year findings.

**STATE OF NEW MEXICO
OFFICE OF THE ATTORNEY GENERAL
EXIT CONFERENCE
JUNE 30, 2019**

The contents of this report were discussed at an exit conference held October 3, 2019. The Office of the Attorney General, was represented by:

- Hector Balderas, Attorney General
- Tania Maestas, Chief Deputy Attorney General / Civil Affairs
- Clara Moran, Chief Deputy Attorney General / Criminal Affairs
- Matt Baca, Special Council
- Malaquias Rael, Senior Policy Advisor
- Theresa Storey, CFO / Financial Control Director
- Nick Eckert, Grants & Contracts Manager

The firm of Kubiak Melton & Associates, LLC was represented by:

- Daniel O. Trujillo, Member – Director of Audit
- Joe Ortiz, Audit Manager

The audited financial statements of the Office of the Attorney General, were prepared from the original books and records provided by and with the assistance of the management of the Office and Kubiak Melton and Associates, LLC.